ROIs Can Validate Your Library's Value

by Robert H. Hu

How does a library calculate and prove its worth? Information professionals know by heart that libraries and librarians are good values to the organizations and clients they serve. A private law firm library saves attorneys time by quickly providing the information they need to win cases. A corporate library conducts market research to help develop a new product or service ahead of the competition. A court library provides judges with the data and analysis necessary for the delivery of justice. A county library helps citizens access market and financial data, so businesses can launch successfully. An academic library contributes to the success of legal education.

Staff recognize these benefits or values created by their library, tangible or not. But what about their value in terms of dollars and cents? That knowledge may be the key to proving the worth of the library.

Economic Justification: An Increasing Necessity

Many libraries today face a daunting challenge of having to prove their worth in the face of electronic information and access. Increasingly, libraries must demonstrate to their parent organizations or governing boards that their sheer existence (let alone growth) is justifiable in simple terms of economics. The challenge becomes even tougher in the world of private law firm or corporate libraries and in times of economic hardship. Corporate downsizing. Law firm layoffs. University budget cuts. Revenue shortfall in state legislative houses. All these factors affect how governing bodies and constituents perceive the importance of their libraries. Does the library help the bottom line? Or does its existence hurt the financial health of the company?

To many libraries, it has become a matter of survival to justify the economic worth of their existence to their organizations.

Return-on-Investment Rate: A Powerful Marketing Tool

Although there are many ways to prove the value of a library, the most straightforward and decisive approach is to conduct a "return-on-investment" assessment. Simply stated, ROI is a cost-and-benefit analysis that determines whether money spent on the library produces a positive return. Using this measurement, the library calculates its expenditures — i.e., costs for book acquisitions, database subscriptions, computer and equipment maintenance, and staff time and compensation — versus its financial benefits — i.e., savings in user time, consolidated licensing, market research and analysis, shortened product development cycle and reduction of wasted time.

The sum of the expenditure and the sum of the financial benefits are compared to calculate the ROI rate. If the sum of the financial benefits outweighs the total expenditure, a positive ROI rate is reached; if the sum of the expenditure outweighs the sum of the financial benefits, a negative ROI rate is achieved. For instance, when the total of a library's financial benefits equals $150, and the total of the library's expenditure amounts to $100, the library receives a ROI rate of 1.5. If the numbers of the library's financial benefits and its expenditure in the above example are reversed, then the library gets a ROI rate of 0.67. From an investor's perspective, the ROI rate is easy to understand: a $1 investment in a library that returns $1.50 is an investment that paid off; by contrast, investing $1 and receiving only 67 cents in return is a failed investment.

Amelia Kassel's "Practical Tips to Help You Prove Your Value" in the May/June issue of *Marketing Library News,* available at http://www.infotoday.com/mls/may02/kassel.htm, provides a detailed description of the ROI method.

What can the ROI rate do for libraries? In the for-profit setting, corporate executives and managing partners of law firms generally view libraries as overhead expenses, which can be cut or reduced to improve the balance sheet, especially during times of economic retraction. Even in the nonprofit setting, government agencies and state officials do not always consider public libraries as valuable and essential to their missions and will therefore look for ways to cut library budgets. If the libraries can show a positive ROI rate, they will have an effective marketing tool at their disposal when it comes time to prove their value to the parent organizations or clients.

As a recent ROI study by the BNA library staff demonstrated, a $1.26 ROI rate

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helped convince the editor-in-chief and other BNA managers that their library is an economical and reasonable resource for the company to keep. (For more information about the BNA ROI study, please go to "Return on Investment" in *Leadership Series Measurement* at http://quantum.dialog.com/q2_resources/casestudies/.)

ROI in Different Library Settings

It is relatively easier to determine the library's ROI rate if it is part of a for-profit organization. Under those circumstances, it is logical to assign a dollar value to a particular service or function provided by the library.

However, a ROI analysis may be difficult to undertake if the library works in a not-for-profit setting, such as government, public or academic institutions. In those situations, where the parent organization — be it a government agency, a municipality or a university — is not in the business of making money, it is difficult, if not impossible, to translate many library functions, such as routing service and document delivery, into financial figures. This kind of environment may require a set of criteria different from those used for libraries in the for-profit setting. David Selden, law librarian at the National Indian Law Library/Native American Rights Fund, suggests that when calculating the ROI, the criteria for nonprofit libraries should include the following factors: the value of time saved with the help of a librarian or library; how one's life was enhanced or enriched by understanding or learning from the library or librarian; and perhaps the amount of money saved by not having to consult with an attorney to understand or solve a problem.

While corporate libraries have conducted RIO studies, such as the one by the BNA library, it is not clear whether any nonprofit libraries have embarked on this kind of investigation. However, the Social Law Library, a private, not-for-profit legal research institution in Boston, is seriously considering such a study.

Proving and communicating a library's value to its governing board or constituents is increasingly necessary for law libraries to survive and flourish. There are multiple approaches to demonstrate the value of a library, but the ROI rate, when determined and positively proven, may be the most effective tool for the library to market itself. Although the ROI is a time-consuming and difficult analysis, libraries should take advantage of this instrument.

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